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**Researching Services**

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RECORDATION FILE 20282 FILED 1425

SEP 3 0 1996 9:03 AM

INTERSTATE COMMERCE COMMISSION

September 30, 1996

Mr. Vernon Williams  
Secretary  
Surface Transportation Board  
12th & Constitution Avenue, N.W.  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recording with the Surface Transportation Board is a Railcar Lease Agreement dated 4/29/96 between the following parties:

Lessor: NorRail, Inc.  
308 12th Avenue South  
Buffalo, MN 55313

Lessee: Dakota, Minnesota & Eastern Railroad  
337 22nd Avenue South  
Brookings, SD 57006

The equipment involved in this transaction includes:

Equipment: 3, 52'8" 70-ton Flatcars  
DME 601-603

Please record this agreement as a primary document. The filing fee of \$22 is enclosed.

Thank you for your assistance.

Sincerely,

*Mary Ann Oster*

Mary Ann Oster  
Research Consultant

Enclosures

*Counterparts - Mary Ann Oster*

**SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20425-0001**

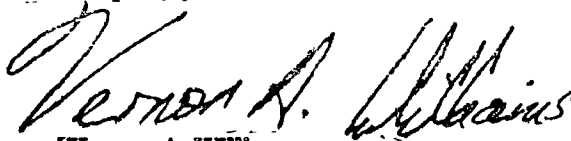
10/1/96

Robert W. Alvord  
Alvord And Alvord  
918 Sixteenth Street, NW, Ste. 200  
Washington, DC., 20006-2973

**Dear Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/1/96 at 11:15AM, and assigned recordation number(s). 20287, 20287-A, 20287-B, 20287-C, 20287-D, 20288, 20250-A, 15075-F and 15075-G.

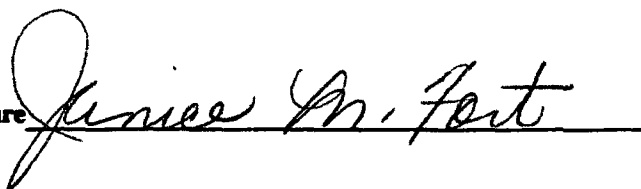
Sincerely yours,

  
Vernon A. Williams  
Secretary

**Enclosure(s)**

\$ 198.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



**NorRail, Inc.**

308 12th Avenue South  
Buffalo, MN 55313

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SEP 30 1996 10 05 AM

INTERSTATE COMMERCE COMMISSION

**RAILCAR LEASE AGREEMENT**

**No. 1659**

For and in consideration of the mutual covenants and promises hereinafter set forth, NorRail, Inc. ("Lessor") and the individual, company or other legal person identified on the signature page of this Lease as the lessee ("Lessee") hereby agrees as follows:

**1. LEASE.**

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, all items of railroad rolling stock and other property described in any schedule or schedules executed by the parties, concurrently herewith or hereafter, which schedules state they are subject to this Lease (collectively, the "Schedules"). All items of railroad rolling stock and other property described in any Schedule and all replacement parts, additions, repairs and accessories incorporated in, or attached or affixed to, any such property, is collectively referred to in this Lease as the "Equipment".

**2. TERM OF LEASE.**

This Lease shall commence on the date it is executed and, unless sooner terminated by Lessor as provided in Section 19, shall continue until the "Total Number of Rent Payments" shown on each Schedule shall have been made.

**3. RENT.**

As rent for the Equipment described on each Schedule, Lessee agrees to pay to Lessor the sum of (x) the rent payments shown under "Rent Payment" on that Schedule, multiplied by the "Total Number of Rent Payments" shown on that Schedule, plus (y) any additional rent specified on that Schedule, plus (z) "Stub Rent" amounts payable with respect to the period between the date of the availability of the Equipment and the first Rent Payment Due Date shown on that Schedule. Payments are to be made on each and every Rent Payment Due Date shown on the Schedule until the Total Number of Rent Payments have been made. The first rent payment with respect to each Schedule is due upon Lessee's acceptance (as described in Section 9) of any Equipment described in that Schedule. Rent shall be paid on the dates specified in the Schedule at the office of Lessor or to such other person or at such other place as Lessor may from time to time designate in writing. In addition to the rent payments described above, Lessee shall pay the amount of any personal property taxes or other taxes and all maintenance, insurance and other costs and expenses with respect to the Equipment (including amounts, if any, required to be paid under Sections 14 and 16 of this Lease). The payments described in the previous sentence shall be paid when due to the person entitled to those payments. If Lessee fails to make any such payment or pay any other expense required to be paid by Lessee pursuant to this Lease, Lessor, at its option, may pay such expense, which shall constitute additional rent and be due and payable from Lessee to Lessor upon demand therefor.

**4. LATE CHARGE.**

If Lessor does not receive any rent or any other sum required to be paid to Lessor within ten (10) days after its due date, Lessee shall pay to Lessor a late charge of five percent (5%) of such late payment.

**5. ESTIMATED COST.**

The rent payments specified in each Schedule have been computed on the basis of the total cost of the Equipment to Lessor, as estimated at the time that Schedule is executed. Total cost includes the cost to Lessor of reconditioning, repairing, and delivering the Equipment to Lessee, transportation, and all other charges with respect to the Equipment. Lessee hereby authorizes Lessor to correct the rent payments to reflect any difference between the actual cost of the Equipment and the estimated cost.

**6. SECURITY DEPOSIT.**

Lessee has deposited or will deposit with Lessor the sum shown as "Security Deposit", if any, on each Schedule as a security deposit and not as advance rent unless otherwise defined in the Equipment Schedule. Lessor may, at its option, apply any security deposit to cure any default under this lease by Lessee, in which event Lessee shall promptly pay a sufficient amount to Lessor to restore the security deposit to the full amount specified in the Schedule. Upon termination of this Lease, Lessor shall return any remaining balance of the security deposit(s), if any, to Lessee if and only if Lessee has fulfilled all of its obligations under the Lease.

**7. SELECTION OF EQUIPMENT AND SUPPLIER.**

Lessee has selected the Equipment and any delay in the delivery of the Equipment will not affect the validity of this Lease.

**8. WARRANTIES.**

LESSOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF, THE ABSENCE OF ANY CLAIM OF INFRINGEMENT OR THE LIKE WITH RESPECT TO, OR ANY OTHER MATTER CONCERNING, THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY SUCH WARRANTIES OR ANY

OTHER WARRANTIES IMPLIED BY LAW. LESSEE HEREBY WAIVES ANY CLAIM IT MIGHT HAVE AGAINST LESSOR FOR ANY LOSS, DAMAGE OR EXPENSE CAUSED BY THE EQUIPMENT OR BY ANY DEFECT THEREIN, OR BY THE USE OR MAINTENANCE OF, OR SERVICING OR ADJUSTMENT TO, THE EQUIPMENT AND, AS TO LESSOR, LEASES THE EQUIPMENT AS-IS AND WITH ALL FAULTS AND WITHOUT WARRANTY OF ANY KIND. LESSOR WILL NOT BE LIABLE FOR ANY LOSS OR INTERRUPTION OF OR DAMAGE TO LESSEE'S BUSINESS ON ACCOUNT OF ANY MECHANICAL FAILURE OR DELAY IN CONNECTION WITH THE FURNISHING OR USE OF THE EQUIPMENT. Lessee acknowledges that Lessor is not a manufacturer of Equipment of any kind and that each unit of Equipment is of a type, size, design and capacity selected solely by Lessee. Lessee also acknowledges that Lessor supplies the Equipment without any obligation to install, test, erect, service or maintain the Equipment. If the Equipment is not properly installed, does not operate as represented or warranted by the manufacturer or seller thereof, or is unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against the manufacturer or seller and no such occurrence shall relieve Lessee of any of its obligations under this Lease. The only warranty applicable to any Equipment is the manufacturer's warranty, if any (in the case of new Equipment) and Lessor makes no warranty to Lessee beyond that contained in the manufacturer's warranty, if any. Lessee acknowledges receipt of the manufacturer's warranty with respect to any new Equipment. So long as Lessee is not in default under this Lease, Lessor assigns to Lessee any manufacturer's, seller's or other warranty, whether express or implied, on the Equipment and any claim that Lessor may have as owner of the Equipment against the manufacturer or supplier or any other person. All claims or actions on any warranty shall be made or prosecuted by Lessee, at its sole expense, and Lessor shall have no obligation whatsoever to make any claim on such warranty. Any recovery in cash or cash equivalents under such warranty shall be made payable jointly to Lessee and Lessor. At Lessor's option, all cash proceeds or cash equivalents from such warranty recovery may be used to repair or replace the Equipment. Lessee shall continue to pay rent to Lessor as specified in this Lease, notwithstanding any claim for breach of warranty.

#### **9. INSPECTION AND ACCEPTANCE BY LESSEE.**

Upon delivery of the Equipment, Lessee shall promptly make all necessary inspections and tests of the Equipment in order to determine whether the Equipment conforms to specifications and is in good condition and repair. Lessee shall promptly notify Lessor in writing of any defect or other objection to the type or condition of the Equipment. If Lessee fails to notify Lessor in writing of any defect in or objection to the Equipment within ten (10) days after delivery of the Equipment to Lessee, it shall conclusively be established, as between Lessor and Lessee, that Lessee has fully inspected the Equipment and that Lessee is satisfied with and has accepted the Equipment as in good condition and repair for all purposes of this Lease. If Lessee determines that the Equipment is in good condition and repair before the expiration of ten (10) days after the Equipment is delivered, and in all events prior to placing the Equipment in service, Lessee shall execute and deliver to Lessor a certificate of acceptance in form satisfactory to Lessor. Lessee's acceptance of any Equipment with knowledge of a nonconformity cannot be revoked because of such nonconformity.

#### **10. LAWS, RULES AND INSPECTION.**

Lessee agrees to comply with all laws of the jurisdictions in which its operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads (and qualify for interchange service in accordance with such interchange rules) and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation, maintenance or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or addition of or to any Equipment, Lessee will conform therewith at its own expense. Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by Lessor with any Federal, State or other regulatory authority by reason of the ownership by the Lessor of the Equipment or the leasing thereof to Lessee. Lessor shall have the right, but not the obligation, at its sole cost and expense, to inspect the Equipment and the Lessee's records with respect thereto, during normal business hours and upon reasonable notification to Lessee.

#### **11. POSSESSION AND USE.**

So long as no Event of Default shall have occurred and be continuing hereunder, Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease. Lessee agrees to use or cause the Equipment to be used solely within the United States of America unless otherwise defined in the Foreign Use Schedule. Lessee shall not assign or sublease its leasehold interest under this Lease in the Equipment except (a) as provided in this paragraph 11 or (b) pursuant to such arrangements and to such parties as shall be subject to the reasonable approval (evidenced by a written instrument) of Lessor. Lessee, at its own expense, will forthwith pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to the Equipment (including any accession thereto), or the interest of Lessor, or Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. Lessee shall not use the Equipment, or permit it to be used, for the transportation or storage of any corrosive substance, or of any substance which is categorized as, or required to be labeled as, "poison" or "poisonous", "explosive" or "radioactive" (or any categories or labels substituted for such categories or labels as in effect on the day hereof) under 49 CFR 171 or other applicable Federal rules in effect from time to time regulating the transportation of hazardous materials. So long as no Event of Default shall have occurred or be continuing hereunder, Lessee shall be entitled to the possession and use of the Equipment upon lines of railroad owned or operated by it or upon lines of railroad over which the Lessee has trackage or other operating rights or over which

railroad Equipment of the Lessee is regularly operated pursuant to contract and shall be entitled to permit the use of the Equipment upon connecting and other carriers in the usual interchange of traffic and to assign its rights to the Equipment or to sublease the Equipment, but only upon and subject to all the terms and conditions of this Lease; provided, that without the Lessor's prior written consent (which shall not be unreasonably withheld), no such assignment or sublease (other than to a subsidiary of Lessee) shall be for a period in excess of one year, and provided Lessee's obligations hereunder shall continue in full force and effect as the obligations of a principal and not of a surety; and provided, further, that Lessee shall not without Lessor's prior written consent assign or sublease the Equipment to, or permit the assignment or sublease of the Equipment to, any person who shall then be engaged in any proceedings for relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions of indebtedness. Lessee may receive and retain compensation for the use of any of the Equipment from railroads or other entities so using such Equipment. Each sublease or assignment permitted by this paragraph shall (a) be expressly subject and subordinate to all of the provisions of this Lease, (b) shall expressly require the Equipment subject thereto to be returned as directed by the Lessor upon notice to such assignee or sublessee that an Event of Default shall have occurred and be continuing and shall expressly prohibit any further sublease or assignment of the Equipment. Lessee shall, within fifteen (15) days after the execution of any such sublease, deliver a conformed copy thereof to the Lessor.

#### **12. INDEMNITY.**

Lessee shall hold Lessor harmless from, and pay to Lessor the amount of, any fine, penalties or other amounts for which Lessor is held liable as a result of, and any legal expenses Lessor has arising out of, the use, condition, ownership or operation of any item of Equipment, including any claims made under the strict liability doctrine, and as a result of any lien, encumbrance or claim made on the Equipment by anyone, including Lessee's employees and agents. Lessee shall indemnify Lessor against, and hold Lessor harmless from, any and all claims, actions, damages (including reasonable attorneys' fees), obligations, liabilities and liens (including any of the foregoing arising or imposed without Lessee's fault or negligence, or in connection with latent or other defects, or any claim for patent, trademark or copyright infringement or under the doctrine of "strict liability"), imposed or incurred by or asserted against Lessor or its successors or assigns, arising out of the manufacture, purchase, lease, possession, operation, condition, return or use of the Equipment, by operation of law or by Lessee's failure to comply with the terms of this Lease. Upon written notice by Lessor of the assertion of any claim hereby indemnified against, Lessee shall assume full responsibility for the defense thereof. This section shall survive termination of this Lease.

#### **13. MAINTENANCE.**

Lessee agrees that, at its own cost and expense, it will maintain and service the Equipment (including any parts installed on or replacements made to the Equipment and considered an accession thereto as herein below provided) which is subject to this Lease consistent with Lessee's standards for similar owned or leased Equipment, so that the Equipment and each component thereof, will remain, at all times during the Lease Term (A) in the same operating order, repair and condition as when originally delivered to Lessee, reasonable wear and tear excepted, (B) in compliance with any and all applicable laws, regulations, requirements and rules, including, without limitation, those set forth in Section 10 hereof, and (C) in compliance with the Manufacturer's recommendations, maintenance standards, service bulletins, manuals and preventive maintenance schedules relating to the Equipment, all as in effect from time to time during the Lease Term. Lessee shall maintain all records, logs and other materials required by the Association of American Railroads or the Department of Transportation, or any other governmental authority having jurisdiction over the Equipment or Lessee, to be maintained in respect of the Equipment. Subject in all events to Section 10 and this Section 13, Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Equipment during the term of this Lease as are readily removable without causing material damage to the Equipment (and do not adversely and materially affect the value, utility and remaining useful life of the Equipment). The additions, modifications and improvements made by Lessee under the preceding sentence shall be owned by Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the following sentence. Any and all parts installed on and additions and replacements made to the Equipment (A) which are not readily removable without causing material damage to the Equipment, (B) in the course of ordinary maintenance of the Equipment, or (C) which are required by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, for the operation or use of the Equipment in railroad interchange, shall constitute accessions to the Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance and shall immediately be vested in Lessor, and Lessee shall comply with all provisions of Section 21 hereof applicable to such accessions.

#### **14. LICENSING, REGISTRATION AND TAXES.**

If the Equipment or use of the Equipment requires licensing by or registration with any governmental authority, Lessee shall, at Lessee's expense, obtain and maintain such license or registration continuously during the term of this Lease. As additional rent, Lessee shall pay when due all federal, state or local license and registration fees, assessments, sales, use, property and other taxes (excluding any tax measured by Lessor's net income), together with any penalties or interest applicable thereto, now or hereafter imposed by any governmental authority upon any item of the Equipment or the rent payable hereunder or by reason of the use, operation or maintenance of the Equipment. Lessee shall pay all such fees or taxes whether they are payable by or assessed to Lessor or Lessee but, if under law or custom such payments shall be

made only by Lessor, Lessee shall promptly notify Lessor and shall reimburse Lessor, upon demand, for all payments thereof made by Lessor. If by law any such registration or license fee or tax is billed to Lessor, Lessee at its expense will do any and all things required to be done by Lessor in connection with the licensing or registration procedure and the levy or assessment of any tax, including the billing or payment thereof. Upon request, Lessee shall provide Lessor with proof of payment of any such fee or tax.

#### **15. PURCHASE.**

UPON THE PAYMENT OF THE TOTAL NUMBER OF RENT PAYMENTS SPECIFIED IN ANY SCHEDULE UNDER THIS LEASE, LESSEE SHALL (a) CURE ANY DEFAULT UNDER THIS LEASE, (b) IF THERE IS A DOLLAR AMOUNT SPECIFIED ON THE "PURCHASE OPTION" LINE ON THE SCHEDULE, HAVE THE OPTION, UPON NOT LESS THAN SIXTY (60) DAYS PRIOR WRITTEN IRREVOCABLE NOTICE, TO PURCHASE ALL THE EQUIPMENT DESCRIBED IN THAT SCHEDULE FOR THE AMOUNT SPECIFIED, PLUS APPLICABLE SALES TAX, (c) IF THE WORDS "FAIR MARKET VALUE" APPEAR ON THE "PURCHASE OPTION" LINE ON THE SCHEDULE, HAVE THE OPTION, UPON NOT LESS THAN SIXTY (60) DAYS PRIOR, IRREVOCABLE, WRITTEN NOTICE, TO PURCHASE ALL THE EQUIPMENT DESCRIBED IN THAT SCHEDULE FOR THE FAIR MARKET VALUE, AS DEFINED BELOW, PLUS APPLICABLE SALES TAX, AND (d) IF THERE IS A DOLLAR AMOUNT SPECIFIED ON THE "PURCHASE AGREEMENT" LINE ON THE SCHEDULE, BE REQUIRED (AND LESSEE HEREBY IRREVOCABLY AGREES) TO PURCHASE ALL THE EQUIPMENT DESCRIBED IN THAT SCHEDULE FOR THE AMOUNT SPECIFIED, PLUS APPLICABLE SALES TAX. ANY PURCHASE OF ANY EQUIPMENT PURSUANT TO THE PRECEDING SENTENCE SHALL BE "AS IS - WHERE IS", WITH ALL FAULTS AND WITHOUT ANY WARRANTY WHATSOEVER (AND LESSOR SHALL CONVEY THE EQUIPMENT TO LESSEE BY BILL OF SALE CONTAINING A DISCLAIMER OF WARRANTIES SIMILAR TO SECTION 8 ABOVE). FOR PURPOSES OF THIS LEASE, "FAIR MARKET VALUE" MEANS THE FAIR MARKET VALUE OF THE EQUIPMENT AS DETERMINED EITHER (i) BY WRITTEN AGREEMENT OF LESSOR AND LESSEE, (ii) AT LESSEE'S EXPENSE, BY A PROFESSIONAL APPRAISER ACCEPTABLE TO LESSOR, OR (iii) IF THE FAIR MARKET VALUE CANNOT BE DETERMINED BY EITHER OF THE PRECEDING METHODS, AS DETERMINED BY LESSOR IN A COMMERCIALY REASONABLE MANNER. LESSOR MAY REQUIRE PAYMENT OF ANY PURCHASE OPTION OR PURCHASE AGREEMENT AMOUNT AT ANY TIME NOT MORE THEN THIRTY-ONE (31) DAYS PRIOR TO THE EXPIRATION OF THE LEASE TERM WITH RESPECT TO THE RELEVANT SCHEDULE.

#### **16. INSURANCE.**

Lessee, at its sole cost and expense, shall procure, maintain and pay for (a) insurance against the loss or theft of or damage to the Equipment, for the "Stipulated Loss Value" determined in accordance with the relevant Schedule(s), naming Lessor and its assigns as a loss payee, (b) comprehensive general liability insurance providing coverage for bodily injury and property damage with combined single limits of at least \$5 million (or such greater amount as may be required by the Association of American Railroads, the Interstate Commerce Commission, the Department of Transportation, or other Federal, State, Administrative, Legislative or other governmental body having jurisdiction in the matter) not subject to an annual aggregate, naming Lessor and its assigns as an additional insured, and endorsed to act as primary insurance with respect to Lessor, (c) any other insurance required by Lessor or any governmental authority. All such insurance shall be in form and amount, and provided by an insurer, satisfactory to Lessor. Lessee shall deliver the policies of insurance or duplicates thereof or certificates of insurance to Lessor at the time the Lease is signed or prior to the delivery of the Equipment and thereafter 30 days prior to each policy renewal. Each insurer shall agree by endorsement upon the policy or policies issued by it or by independent instrument furnished to Lessor that the insurer will provide thirty (30) days prior written notice to Lessor of any cancellations or non-renewal of the policy or any material change in policy conditions. Lessee shall comply with all restrictions (including any geographical limitations) contained in any insurance policies. All insurance policies shall provide that the insurance shall not be invalidated as to Lessor by any act, omission or neglect of Lessee. Lessee shall notify Lessor immediately in writing of any accident involving the Equipment regardless of the amount of damage, and shall cooperate fully with Lessor and all insurance companies in the investigation, prosecution and defense of claims. The proceeds of any insurance, at the option of Lessor, shall be applied (AA) toward the replacement, restoration or repair of the Equipment, or (bb) toward payment of the obligations of Lessee under this Lease. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks or drafts for loss or damage under any such insurance policy. In the event Lessee fails to procure, maintain or pay for the insurance required by this Lease, or to pay any fees, assessments, charges or taxes as required in this Lease, Lessor shall have the right, but not be obligated, to obtain such insurance or pay said fees, assessments, charges and taxes, as the case may be. In that event, Lessee shall reimburse Lessor for the cost thereof upon demand, and failure to repay the same shall constitute an Event of Default under this Lease.

#### **17. LOSS AND DAMAGE.**

Lessee hereby assumes and shall bear the entire risk of loss, theft, damage or destruction of all or any item of the Equipment from any cause whatsoever; and no loss, theft, damage or destruction of all or any item of the Equipment shall relieve Lessee of its obligation to pay rent or of any other obligation under this Lease, which shall continue in full force and effect, notwithstanding such loss, theft, damage or destruction. The risk of loss shall pass to Lessee on the earlier of (i) delivery of the Equipment to a carrier for shipment to Lessee; (ii) tender of the Equipment to Lessee; or (iii) acknowledgment by a bailee who holds the Equipment of Lessee's right to possession of the Equipment. In the event of damage to any item of Equipment, Lessee shall immediately place the same in good repair (ordinary wear and tear expected). If Lessor determines that any item of Equipment is lost, stolen, destroyed, worn out or damaged beyond repair as a result of ordinary

use, neglect, abuse or any other cause whatsoever, Lessee, at the option of Lessor, will; (a) replace the same with similar Equipment in good repair, or (b) pay Lessor in cash all of the following: (AA) all amounts then owed by Lessee to Lessor under this Lease, and (bb) the Stipulated Loss Value of said item of Equipment, determined as of that date in accordance with the Schedules, less any proceeds of insurance thereon received by Lessor. Upon Lessor's receipt of such payment, Lessee shall be entitled to whatever interest Lessor may have in said item of Equipment, in its then condition and location, without warranties, express or implied, and this Lease shall be terminated with respect to such item.

#### **18. DEFAULTS.**

The occurrence of any one or more of the following events shall constitute an Event of Default under this Lease:

- (a) Lessee shall fail to make any rent or other payment when due; or
- (b) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease and such failure shall continue for a period of ten (10) days; or
- (c) any representation or warranty made by Lessee in this Lease or in any document or certificate furnished to Lessor in connection with or pursuant to this Lease (including but not limited to financial statements) shall have been false in any material respect when made or furnished; or
- (d) Lessee shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or receiver shall be appointed for Lessee or for a substantial part of its property without its consent and shall not be dismissed for a period of thirty (30) days, or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against Lessee and, if instituted against Lessee, shall not be dismissed for a period of thirty (30) days, or Lessee dies, is dissolved, terminates its existence or its business is discontinued; or
- (e) Lessee attempts to remove, sell, transfer, encumber, part with possession of or sublet all or any item of the Equipment; or
- (f) Lessee is liquidated or dissolved, or commences any acts relative thereto, or, without the prior written consent of Lessor, (i) Lessee sells or otherwise disposes of all or substantially all of the assets of Lessee, (ii) Lessee merges or consolidates with any other person, or (iii) if Lessee is a corporation, ownership, control, or power to vote fifty percent (50%) or more of the outstanding shares of any class of voting securities of Lessee is transferred by the current holders, in one or more transactions; or
- (g) any indebtedness of Lessee (including but not limited to indebtedness to Lessor or any of its affiliates) is not paid when due, or Lessee defaults under any bond, debenture, note or other evidence of indebtedness of Lessee or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which it is governed and payment of such indebtedness is accelerated.

#### **19. REMEDIES.**

Upon the occurrence and during the continuation of any Event of Default, Lessor shall have all the rights and remedies provided by applicable law and by this Lease. In addition to the rights and remedies provided by applicable law, Lessor may, at its option, exercise any one or more of the following remedies:

- (a) terminate this Lease; or
- (b) declare immediately due and payable, without notice or demand to Lessee, the sum of (i) the accrued and unpaid rent payments for the period ending on the date of default; (ii) the present value of any and all rent payments for the period from the date of default through the scheduled expiration of this Lease; and (iii) any other sums then payable under the Lease; or
- (c) cause Lessee, upon written demand of Lessor and at Lessee's expense, to return promptly any or all items of Equipment to Lessor in accordance with all of the terms of Section 22 hereof, or Lessor, at its option, may take possession of any or all items of Equipment without demand or notice wherever the same may be located without any court order or process of law and remove the same without liability for injuries suffered through or loss caused by such repossession, and such repossession shall not constitute termination of this Lease unless Lessor expressly terminates this Lease in writing, and Lessee waives any and all rights to notice and judicial hearing with respect to the repossession or attachment of the Equipment by Lessor in the event of default under this Lease by Lessee; or
- (d) sell or lease any or all items of Equipment at public or private sale or lease at such time or times as Lessor may determine and, if notice thereof is required by law, any notice in writing of any such sale or lease by Lessor to Lessee not less than ten (10) days prior to the date thereof shall constitute reasonable notice thereof to Lessee; or otherwise disposes of, hold, use, operate, or keep idle such Equipment, all as Lessor, in its sole discretion, may determine and all free and clear of any rights of Lessee and without any duty to account to Lessee for such action or inaction or for any proceeds with respect thereto; or
- (e) exercise any other right or remedy which may be available to Lessor under the Uniform Commercial Code or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease, to recover possession of the Equipment, to recover damages for the breach of this Lease or to rescind this Lease as to any or all Equipment. Lessor may elect, whether before or after recovering possession of the Equipment, by written notice to Lessee, to cause Lessee to pay Lessor as liquidated damages for loss of a bargain and not as a penalty, and in lieu of all other sums due to Lessor for the remaining term of this Lease (except any indemnification obligation under Section 12, which shall survive the payment of the Stipulated Loss Value) on the date specified in such notice, an amount equal to the rent payment or payments and other payments under the Lease that are due and payable as of the date of the written notice, plus a sum equal to the Stipulated Loss Value of the Equipment, determined as of the date of the written notice in accordance with the Schedules, reduced



by any net proceeds of the disposition of the Equipment which were previously received by the Lessor. In the event Lessor collects the liquidated damages specified in the preceding sentence and has not previously sold or released the Equipment, Lessor shall appoint Lessee as Lessor's agent to dispose of the Equipment at the best price obtainable on an "AS IS-WHERE IS" basis and Lessee shall be entitled to the proceeds of such sale of the Equipment to the extent they do not exceed the Stipulated Loss Value and shall pay any excess to Lessor. Lessee shall pay Lessor all costs and expenses, including attorneys' fees, incurred by Lessor in exercising any of its rights or remedies under this Lease or in enforcing any of the terms or conditions of this Lease. Lessee shall continue to be liable for all indemnities under this Lease and for all legal fee and other costs and expenses resulting from an Event of Default or the exercise of Lessor's remedies, including placing any Equipment in the condition required by Section 22 of this Lease, notwithstanding Lessor's exercise of any right or remedy under this Lease. Except as expressly provided above, no remedy is exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. The repossession or subsequent sale or lease by Lessor of any item of Equipment shall not bar an action for a deficiency as herein provided and the bringing of any action or the entry of judgment against Lessee shall not bar Lessor's right to repossess any or all items of Equipment. No express or implied waiver by Lessor of any default shall constitute a waiver of any other default by Lessee or a waiver of any of Lessor's rights. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Equipment in mitigation of Lessor's damages as set forth in this Section 19 or may otherwise limit or modify any of Lessor's rights or remedies under this Section 19. LESSEE AGREES THAT ANY ACTION BY LESSEE OR LESSOR CONCERNING THE LEASE SHALL BE VENUED IN THE COURTS OF THE STATE OF MINNESOTA, AND LESSEE HEREBY SUBMITS TO THE PERSONAL JURISDICTION OF THE COURTS OF MINNESOTA, BOTH FEDERAL AND STATE, IN ANY ACTION WITH RESPECT TO THIS LEASE AND AGREES THAT ANY STATE COURT ACTION SHALL BE VENUED IN THE DISTRICT COURT OF HENNEPIN COUNTY, MINNESOTA. LESSOR AND LESSEE EACH IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS LEASE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

#### **20. ASSIGNMENT.**

LESSEE SHALL NOT ASSIGN, PLEDGE OR HYPOTHECATE THIS LEASE IN WHOLE OR IN PART, NOR ANY INTEREST IN THIS LEASE, NOR SHALL LESSEE SUBLET OR LEND ANY ITEM OF THE EQUIPMENT, NOR PLEDGE, MORTGAGE OR OTHERWISE ENCUMBER THE EQUIPMENT OR (EXCEPT AS PROVIDED IN SECTION 11) PERMIT IT TO BECOME ENCUMBERED, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. LESSEE'S INTEREST HEREIN MAY NOT BE ASSIGNED OR TRANSFERRED BY OPERATION OF THE LAW. Consent to any of the foregoing acts shall not be deemed to be consent to any subsequent similar act. Lessor may assign this Lease or mortgage the Equipment or both in whole or in part, without notice to Lessee. Lessee agrees to execute or provide documents of further assignment as Lessor may request. If Lessee is given notice of such assignment, it shall acknowledge receipt of that notice in writing. Each assignee or mortgagee from Lessor shall have all of the rights, but none of the obligations, of Lessor under this Lease. Lessee shall not assert against any assignee and/or mortgagee any defense, counterclaim or offset that Lessee may have against Lessor. Upon receipt from Lessor of written notice of assignment, Lessee will pay to the assignee any portion of the rent assigned to the assignee. Lessee's obligation to pay rent to the assignee shall be absolute and unconditional and shall not be subject to any defense or offset, and said obligations shall continue until Lessee receives a written notice from the assignee that all indebtedness secured by such assignment has been paid in full. Notwithstanding any assignment, Lessor warrants that Lessee shall quietly enjoy use of the Equipment, subject to the terms and conditions of this Lease. Subject to this Section 20, this Lease inures to the benefit of and is binding upon the heirs, legatees, personal representatives, successors and assigns of Lessor and Lessee.

#### **21. OWNERSHIP, IDENTIFICATION, RECORDING**

The Equipment is and shall at all times remain the sole and exclusive property of Lessor and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. This Lease is a lease and not a security agreement and Lessee has no right, title or interest in the property except as Lessee. The Equipment shall remain personal property regardless of whether it becomes affixed or attached to real property, or permanently rests upon any real property or an improvement thereon. Lessee shall not attach the Equipment to any personal or real property so as to cause the property to become an accession or fixture thereto or take any action which would confer upon any person having an interest in such real or personal property an interest in the Equipment. The Lessee will cause the Equipment to be kept numbered with the identification numbers as shall be set forth in any amendment or supplement hereto. Lessee will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit of Equipment, in letters not less than one inch in height, the words "OWNED BY NorRail, Inc." or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title in the Equipment and the rights of Lessor under this Lease. Lessee will replace promptly any such words which may be removed, defaced, obliterated or destroyed. Lessee will not change the identification number of any unit of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with Lessor and filed, recorded and deposited by Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) Lessee shall have furnished Lessor an opinion of counsel in form and substance reasonably satisfactory to Lessor to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect Lessor's interests in such Equipment and that no other filing, recording, deposit or giving of notice with or to any other



Federal, State or local government or agency thereof is necessary to protect the interests of Lessor in such Equipment. The Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its permitted sublessees but Lessee will not allow the name of any other person, to be placed on the Equipment as designation that might be interpreted as a claim of ownership. Lessee, at its own expense, will cause this Lease and all supplements to the Lease to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 and will provide Lessor with an opinion of counsel, satisfactory to Lessor, that Lessor's title in the Equipment is free and clear of any security interests or other encumbrances except for the interest of the Lessee under the Lease. Lessee, at its own expense, will further cause this Lease to be filed and recorded and, from time to time when required, refiled and rerecorded, in accordance with the applicable provisions of the applicable Uniform Commercial Code, in the same manner as if the Lessor's interest in this Lease represented a security interest and in any other state of the United States of America or the District of Columbia where filing is necessary or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of counsel of Lessor, of its interests and rights under this Lease for the purpose of carrying out the intention of this Lease. The Lessee, in addition, will from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to its satisfaction, of its interest in the Equipment, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to Lessor.

## **22. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.**

Upon the expiration of this Lease or any prior termination of this Lease for any reason, Lessee shall return the Equipment to the Lessor in the condition hereinafter provided, by causing all Equipment to be moved, at Lessee's expense, onto storage facilities on Lessee's tracks as to which Lessor shall specify in writing not less than 60 days prior to the expiration of the Lease. If any item of Equipment is not delivered to Lessor on or before the expiration or prior termination of this Lease, or is so delivered, but not in compliance with the requirements of Section 13 and this Section 22 within fifteen (15) days after the date of expiration or earlier termination, then the rent for all of the Equipment shall continue equal to 150% of the daily equivalent of the rental payable during the term of this Lease; provided, however, that nothing in this Section 22 shall be deemed or construed as Lessor's authorization of Lessee's use of the Equipment, or any item of Equipment, after the expiration or prior termination of this Lease. Lessee shall store the Equipment on such storage tracks or facilities without charge to Lessor for a period of up to 120 days after acceptance of the Equipment by Lessor. Upon not less than 15 days' notice from Lessor, Lessee shall transport the Equipment once (at Lessee's sole expense), to any location within the Continental United States designated by Lessor. During any such storage period, the Lessee will be responsible for insurance in respect of the Equipment and the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of the Equipment, to inspect the same. Each unit of Equipment returned to Lessor pursuant to this Section shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, reasonable wear and tear excepted, (ii) meet the standards then in effect required for a third party purchaser or third party lessee immediately to operate such Equipment without further inspection, repair, replacement, alterations or improvements under the Interchange Rules of the Association of American Railroads (and qualify for interchange service in accordance with such interchange rules) and/or the applicable rules of any government agency or other organization with jurisdiction, and (iii) be free of Lessee's insignia or advertising. Without in any way limiting the foregoing, each unit of Equipment shall be in a condition at least as good as such unit of Equipment would have been in had it been maintained and used in accordance with all the terms and conditions of this Lease and any components which require periodic replacement must have at least 50% of their recommended service life remaining. During any such storage period, the Lessee shall maintain the Equipment in such manner as the Lessee normally maintains similar units of railroad Equipment owned or leased by it in similar storage circumstances, but in any event in no less manner than is set forth in Section 13 hereof. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee so to assemble, deliver, store and transport the Equipment. All net amounts earned in respect of the Equipment after the expiration of the original term or any extended term hereof shall belong to Lessor, and shall be paid over forthwith to Lessor.

## **23. NO OFFSET; IRREVOCABLE AND INDEPENDENT PROMISES.**

Upon Lessee's acceptance of any Equipment, Lessee's promises to pay rent and perform all other obligations with respect to such Equipment shall become irrevocable and independent, and shall not be subject to cancellation, termination, modification, repudiation, excuse or substitution without the consent of Lessor or any assignee. Lessee hereby waives any and all existing and future claims and offsets against any rent or other payments due hereunder, and agrees to pay the rent and other amounts due hereunder regardless of any offset or claim which may be asserted by Lessee or on its behalf against Lessor or any other person. This is a net lease and rent due under this Lease shall not be subject to abatement for any reason whatsoever. Lessee hereby further acknowledges that the manufacturer or vendor of the Equipment and their agents and employees were at no time and are not now the agents or under the supervision of Lessor, and that Lessor was not and is not the agent of the manufacturer or original vendor.

#### **24. WAIVERS.**

No waiver of Lessee's obligations, conditions or covenants shall be deemed to take place unless the waiver is in writing and signed by Lessor. Failure to exercise any remedy which Lessor may have under this Lease or any acquiescence in the default of Lessee by Lessor shall not constitute a waiver of any obligation of Lessee, including the obligation as to which Lessee is in default; and Lessor shall be entitled to pursue any remedy available to it under this Lease until Lessee has rendered complete performance of all obligations under this Lease.

#### **25. FINANCIAL AND OTHER REPORTS.**

During the term of this Lease, Lessee shall furnish Lessor with annual financial statements within one hundred twenty (120) days after the end of Lessee's fiscal year, and Lessee shall provide Lessor such other financial information as Lessor may from time to time request, without limitation, any reports filed with federal or state regulatory agencies. Lessee hereby warrants and represents that all financial statements previously delivered or to be delivered to Lessor by or on behalf of Lessee, and any statements and data submitted in writing to Lessor in connection with this Lease, are or will be true and correct and did or will fairly present the financial condition of Lessee for the periods involved.

#### **26. MASTER LEASE.**

In this event Lessor shall hereafter lease to Lessee additional Equipment, the Equipment shall be described on a Schedule executed by the parties which shall refer to this Lease. Each Schedule shall, in addition to describing the Equipment to be leased thereunder, set forth the term of the Lease with respect to that Equipment, the amount of rent, the manner of payment of the rent, the number of rent payments, the commencement of the rent payments, the amount of any security deposits and the stipulated loss value with respect to that Equipment, whether Lessee has the option, or shall be required, to purchase the Equipment and at what price, and may include other provisions. Each such Schedule when executed by the parties shall be deemed to be a part of this Lease, and all of the provisions of this Lease, except such provisions as may be explicitly amended by a Schedule, shall govern such Schedule or Schedules, it being understood and agreed that this Lease shall be the Master Lease.

#### **27. CROSS DEFAULT.**

Lessee hereby agrees that any default by Lessee in the payment of rent or performance of any other term or condition of any Lease between Lessee and Lessor, or under any Schedule, whether previously or hereafter entered into, shall at the option of Lessor constitute an Event of Default in all Leases or Schedules, including this Lease, between Lessor and Lessee, and that thereupon the provisions of Section 19 above shall be applicable.

#### **28. NOTICES.**

All notices required or permitted under this Lease shall be sufficient if delivered personally or mailed to the party receiving the notice at the address set forth below that party's signature, or at such other address as either party may designate in writing delivered to the other party from time to time. Any such notice shall be effective upon delivery or forty-eight (48) hours after it has been deposited in the United States mail, duly addressed and posted prepaid.

#### **29. ENVIRONMENTAL COMPLIANCE.**

Lessee has obtained all permits, licenses and other authorizations pertaining to the Equipment and its property which are required under federal, state and local laws relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, hazardous or toxic materials or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or toxic materials or wastes ("Environmental Laws"). Lessee is in full compliance with all terms and conditions of such required permits, licenses and authorizations and is also in full compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws or contained in any plan, order, decree, judgement or notice. Lessee is further not aware of, nor has Lessee received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent continued compliance or which may give rise to any liability under any Environmental Laws or the common law.

#### **30. FEES AND EXPENSE.**

Lessee shall pay all reasonable expenses of the Lessor incident to the transactions contemplated by this Lease or in connection with any modification, amendment, waiver, alteration or enforcement of this Lease, including, but not limited to, all filing fees and the fees and expenses of Lessor's legal counsel. The obligations of Lessee under this Section 30 shall survive expiration of the term of this Lease.

#### **31. MISCELLANEOUS.**

LESSEE ACKNOWLEDGES AND AGREES THAT THIS LEASE IS INTENDED AS A "FINANCE LEASE" AS DEFINED IN MINN. STAT. SECTION 336.2A-103(1)(G), AND THAT LESSOR IS ENTITLED TO ALL BENEFITS, PRIVILEGES AND PROTECTIONS OF A LESSOR UNDER A FINANCE LEASE. If more than one party executes this Lease as Lessee, all obligations to be performed by Lessee shall be the joint and several liability of all such parties. Wherever the context permits, Lessee's representations, warranties and covenants under this Lease shall survive the delivery and return of the Equipment. Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective, to the extent of such prohibition or unenforceability, without invalidating the remaining provisions of this Lease and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision of this Lease prohibited or unenforceable in any

respect. No term or provision of this Lease may be changed, waived, discharged, or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease contains the entire agreement between the parties and embodies any oral representations, negotiations or agreements made in connection herewith. The captions in this Lease are for convenience of reference only and shall not define or limit any of the terms of provisions hereof. As used in this Lease the term "Lease" shall include all exhibits and Schedules related to this Lease. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (BUT NOT THE LAW OF CONFLICTS) OF THE STATE OF MINNESOTA, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. Time is of the essence hereof. This Lease shall not become effective or binding until executed by Lessor at its place of business in Buffalo, Minnesota. Lessor may rely upon a telefacsimile copy of this Lease or any other document which purports to have been signed by Lessee the same as an originally signed counterpart. But if Lessee provides a telefacsimile as signed, Lessee shall immediately send to Lessor a signed original as well. This Lease and any Schedule may be executed in two or more counterparts, each of which shall be deemed an original. It shall not be necessary in making proof hereof to produce or account for more than one such counterpart. Lessee warrants and agrees that the Equipment is leased and will be used for business purposes only and that the Equipment will not be used for personal, family or household purposes.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease this

29th day of April, 19 96.

**LESSOR:**

NorRail, Inc.  
(LESSOR)  
By [Signature]  
(Signature)  
Title V.P. MARKETING

Address: 308 12th Avenue So.  
Buffalo, MN 55313

**LESSEE:**

Dakota, Minnesota & Eastern Railroad Corporation  
(NAME OF LESSEE)  
By [Signature]  
(Signature)  
Title CFO & Treasurer

(If Required)

And By \_\_\_\_\_  
(Signature)

Title \_\_\_\_\_

Address: \_\_\_\_\_

# NorRail, Inc.

308 12th Avenue South  
Buffalo, MN 55313

## SCHEDULE TO LEASE AGREEMENT (EQUIPMENT)

NorRail, Inc. - Lessor  
308 12th Avenue South  
Buffalo, Minnesota 55313

LESSEE: Dakota, Minnesota & Eastern Railroad Corporation

LEASE NO: 1659

SCHEDULE NO. 1

### EQUIPMENT

Quantity

Equipment Description

Car Numbers

3

52' 8" - 70 Ton Bulkhead Flatcars

Lessor will modify the bulkheads from 11' to 15" and replace the handbreak on each of the three units. Lessee will confirm at the time of acceptance that the modification has been completed to Lessee's acceptance.

Lessor and Lessee agree that, with respect to all Equipment leased by Lessee pursuant to this Schedule No. 1, they will set forth their agreements relating to the amount and payment of rent and Stipulated Loss Values in a separate rent agreement dated as of 4-29-96 (the "Rent Agreement") entered into contemporaneously with this Schedule. Accordingly, Lessor and Lessee hereby agree that the following terms shall be as defined in the Rent Agreement and shall be deemed incorporated by reference in this Schedule with the same force and effect as if set forth in full herein: Total Cost of Equipment, Initial Term of Lease, Rental Payment Due Date, Total Number of Rent Payments and Stipulated Loss Values. In addition, Lessor and Lessee agree that all other terms and conditions set forth in the Rent Agreement shall be deemed to be incorporated herein by reference with the same force and effect as if set forth in full herein.

Equipment will be delivered to Lessee at Winona, Minnesota

Freight and associated charges After delivery at Winona, Minnesota for account of Lessee

Reporting marks Equipment to be stenciled with DM&E reporting marks and associated costs including reprogramming AEI tags will be for account of Lessor.

Security Deposit; \$ N/A to be applied; N/A

Purchase Option As set forth in Rent Agreement

Rent Payments shall commence upon Lessee's acceptance of the Equipment and shall be made on each Rent Payment Due Date thereafter until the Total Number of Rent Payments has been made.

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the Equipment described above on the terms and conditions set forth above and pursuant to and subject to all terms and conditions of the Lease Agreement between Lessor and Lessee dated 4-29-96.

ACCEPTED

DATED AS OF:

4-29-96

NorRail, Inc.  
(LESSOR)

By

[Signature]  
(Signature)

Title

V. P. MARTINEZ

Dakota, Minnesota & Eastern Railroad Corporation  
(NAME OF LESSEE)

By

[Signature]  
(Signature)

Title

CFO & Treasurer

(If Required)

And By

(Signature)

Title

**DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION ("LESSEE")**

**CERTIFICATE OF DELIVERY AND ACCEPTANCE**

The undersigned lessee of equipment ("Lessee") hereby certifies to NorRail, Inc. ("NorRail") that the equipment leased by Lessee from NorRail pursuant to Equipment Schedule No. 1 to that certain Master Lease Agreement No. 1659 between Lessee and NorRail dated April 29, 1996, is acceptable and conforms in all respects to the equipment ordered by Lessee. **EXCEPT ONLY AS STATED ON A SCHEDULE OF EXCEPTIONS THAT HAS BEEN INITIALED BY BOTH LESSEE AND NORRAIL, AND ATTACHED TO THIS CERTIFICATE**, Lessee further certifies that:

- (i) It has thoroughly inspected the equipment,
- (ii) The Equipment meets or exceeds the standards in effect under the Interchange Rules of the Association of American Railroads and the applicable rules of any governmental agency (including without limitation the Federal Railroad Administration) and any other organization having jurisdiction, with respect to this type of equipment,
- (iii) All of the equipment is free of corrosion and all other commodity-related damage,
- (iv) All items of equipment are of the size, design, capacity and manufacturer selected by Lessee, and
- (v) The equipment is in all respects suitable for Lessee's purposes.

A Schedule of Exceptions is \_\_\_\_\_ or is not   X   (check one) attached. If a Schedule of Exceptions is attached, it is of   N/A   pages.

Lessee further certifies that the equipment was delivered and ready for use as of May 19, 1996, and hereby authorizes NorRail to pay for the equipment.

Dakota, Minnesota & Eastern Railroad Corp.  
Lessee

By: Kurt V. Feaster

Print Name: Kurt V. Feaster, Chief Financial Officer  
Treasurer & Ass't Secretary

Title: \_\_\_\_\_

Date: 6-10-96

## **Schedule A**

### **To Certificate of Delivery and Acceptance for Schedule No. 1, Master Lease Agreement No. 1659**

<b><u>Car Number</u></b>	<b><u>Delivered DM&amp;E</u></b>
DME 601	May 19, 1996
DME 602	May 19, 1996
DME 603	May 19, 1996

**NorRail's Acknowledgement**

STATE OF South Dakota  
COUNTY OF Brookings ) ss.

On this 29<sup>th</sup> day of April, 1996 before me, personally appeared L.L. Struble (name of signor), to me personally known, who being by me duly sworn, says that ~~he~~ is the VP Marketing (title of office) of NorRail, Inc., a Minnesota corporation, that the seal affixed to the foregoing Railcar Lease Agreement is the corporate seal of said corporation (or if no seal is affixed, that the corporation has no seal), that said Railcar Lease Agreement was signed and sealed on behalf of said corporation by authority of its Board of Directors, and that ~~he~~ acknowledged that the execution of the foregoing Railcar Lease Agreement was the free act and deed of said corporation.

George E. Hock  
Notary Public

My Commission Expires: 5-5-2002



**Lessee's Acknowledgement**

STATE OF South Dakota  
COUNTY OF Brookings ) ss.

On this 29<sup>th</sup> day of April, 1996 before me, personally appeared Kurt V. Feaster (name of signor), to me personally known, who being by me duly sworn, says that ~~he~~ is the CEO and Treasurer (title of office) of DME Railroad Corp. (name of corporation), a Delaware corporation, that the seal affixed to the foregoing Railcar Lease Agreement is the corporate seal of said corporation (or if no seal is affixed, that the corporation has no seal), that said Railcar Lease Agreement was signed and sealed on behalf of said corporation by authority of its Board of Directors, and that (s)he acknowledged that the execution of the foregoing Railcar Lease Agreement was the free act and deed of said corporation.

George E. Hock  
Notary Public

My Commission Expires: 5-5-2002

